DEPARTMENT OF STATE INSTRUCTION

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NO.: CA-2425 October 11, 1954

SUBJECT: United States Suggestions on the Organization and Functions of the United States-Libyan Commission on the Economic Development of Libya

TO: The American Embassy, BENGHAZI

RPTD INFO: The American Embassy, TRIPOLI

JOINT STATE-FOA MESSAGE

Now that the United States-Libyan military base rights agreement has been signed and notes have been exchanged regarding United States economic assistance to Libya, it is important that plans be developed for the efficient use of the economic aid funds to be received by Libya from the United States. The exchange of notes proposed that an economic planning commission composed of representatives of our two governments be established to study, plan and execute the economic development program to be assisted by United States funds. It is understood by both governments that the United States funds so utilized will be chiefly the funds provided by the Air Force (although this fact is to be kept confidential). During this fiscal year, of course, an additional $3 million is being provided out of mutual security funds but such additional aid may not be available in future years. Therefore the Joint United States-Libyan Economic Commission should develop plans based on the expenditure of the following sums: $7 million during the current fiscal year; $4 million annually for 6 years from 1955 through 1960; and $1 million annually for the following 11 years.

In order to assure the efficient use of these economic aid funds it is recommended that in discussions with Libyan Government officials United States representatives make the following suggestions:

1. Organization: That, in conformity with the Washington discussions in July 1954, the Joint Commission be composed of 5 to 7 members with a majority of Libyans and with the Chairman being a Libyan.

(a) United States Membership: That the United States members be the Ambassador and the Director of the United States Foreign Operations Mission. Provision should be made for the Ambassador and the USOM Director to be represented by alternates when they so desire.

(b) Libyan

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DRAFTED BY: NEA/AF:AEWellons:pkw 10/8/54
JFRoot:pkw

APPROVED BY: NEA - John D. Jernegan

CLEARANCES:
S/MSA - [illegible]
Mr. Frechtling
FOA - Mr. Paul
Defense
AF - Ambassador Tappin

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(b) Libyan Membership: That the Libyan membership should include (as they apparently intend) the Prime Minister and the Minister or Ministers responsible for economic development. They too should be urged to designate alternates to act in their absence. (The alternates on both sides could act as staff, provide continuity and avoid delays.)

(c) Executive Director: Since the designated members of the Joint Commission will have other duties it will be most important to secure the services of a full-time official who would serve the Commission as Executive Director. He should be an American national, preferably a skilled engineer or economist. Since it is U.S. policy to have the Libyan Government assume the ultimate responsibility for the use of these funds we should urge that the Executive Director be appointed by the Libyan Government on the recommendation of the Joint Commission. While final authority should rest in the Joint Commission, which should provide policy direction, the practical responsibility for carrying out a sound program would fall on the Executive Director. Therefore, he should have sufficient authority to see that the programs approved by the Joint Commission are put into effect. Thus the Executive Director would be a combination of executive, administrator and coordinator.

2. Functions: (a) The primary function of the Joint Commission should be to initiate and approve economic development plans and authorize the expenditure of funds for specific programs within the limits of the funds available for this purpose, including those resulting from the exchange of notes on economic assistance of September 9, 1954, and any contributions by the Libyan Government to defray local currency costs It should be the responsibility of the Executive Director to formulate such plans and programs as the Joint Commission shall direct and, when approved, to assure their execution.

(b) Since the funds contributed by the United States Government do not require any approval or appropriation by the Libyan Parliament, the Joint Commission should have full authority over the use of this money as being separate from other funds available to the Libyan Government. Although higher levels of the Libyan Government may wish to retain at least nominal authority over the application of the funds, this would be done, in effect, if the Prime Minister and other cabinet members sit on the Joint Commission. Thus the Joint Commission would represent a ready instrument of the Libyan Government for policy purposes, while on the other hand the actual execution of the work would be undertaken by qualified professionals.

(c) Since other agencies of the Libyan Government, such as the Development and Stabilization Agency and the Economic Planning Committee, are already playing important roles in Libya's economic development, the Joint Commission may choose to implement or supplement certain of their plans and programs. For example, the Development and Stabilization Agency may not have sufficient funds for the present 5-year plan and the Joint Commission might therefore provide funds towards the fulfillment of that plan. As another example, certain programs of agricultural expansion for which funds are not elsewhere available may be considered of high priority by the Libyan

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the Libyan Economic Planning Committee and it might then prove most practicable for the Joint Commission to give the funds necessary directly to the appropriate Ministry for such extra-budgetary purposes. In some cases the projects might be executed by direct action, such as by letting a contract with a competent private engineering firm which would do all or part of a particular program.

(d) The Joint Commission should be authorized to maintain direct liaison with foreign and international activities in Libya which might affect its economic development program. In particular it should maintain direct liaison with the United States Technical Cooperation program and with the United Nations Technical Assistance activities in Libya. Similarly, it should have direct access to the Finance Corporation, which is largely controlled by the Italians, and to the organization which is settling Palestine refugees in Libya in regard to any aspects of the work of those organizations which might affect the functions of the Joint Commission.

(e) The Joint Commission may wish to authorize contributions from its funds to new agencies of the Libyan Government, such as the proposed agricultural credit bank.

(f) The examples in this instruction of how the Joint Commission might function are illustrative of our view that the Commission should be flexible in its methods of operation. However, its authority should be clearly defined in order that funds provided by the United States are subject to the policy control of the Commission and are, in fact, kept separate from other funds available to Libya in the Federal and provincial budgets, the exceptional budget, the Development and Stabilization Agency, etc.

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